

**REQUEST FOR PROPOSALS
FOR
ACTUARIAL CONSULTING**

December 2, 2011

**Alabama Prepaid Affordable College Tuition Program
(PACT)**

**Young Boozer, State Treasurer
Alabama State Capitol
600 Dexter Avenue
Montgomery, Alabama 36104**

**Release Date: December 2, 2011
Proposal Due Date: December 27, 2011**

Section I

GENERAL INFORMATION

1. Purpose

This Request for Proposal (RFP) has been issued by State Treasurer Young Boozer (Treasurer), on behalf of the Prepaid Affordable College Tuition (PACT) Trust Fund Board of Directors (Board). The Board solicits proposals from qualified firms or individuals to serve as the consulting actuary for PACT (Proposer).

This RFP shall be widely disseminated to the professional community in a full and open manner. This RFP is issued in accordance with the requirements of §41-16-72(4), Code of Alabama (1975). The RFP is not an offer to contract but seeks the submission of proposals from qualified, professional firms or individuals that may form the basis for negotiation of a contract.

The Treasurer shall post the RFP on the treasury website www.treasury.alabama.gov.

2. Program Information

Information about the PACT program, including annual actuarial reports, is available at the PACT website www.800alapact.com.

PACT was created by the State Legislature and became operational in 1990. It is a qualified 529 prepaid college savings program. PACT is closed to future enrollment. Currently, PACT has approximately 37,500 active accounts with approximately 18,000 beneficiaries eligible to receive benefits. As of September 30, 2011, the value of trust fund assets was \$416.4 million. The funding status was 102.3% based on assumptions dependent on a pending settlement between the PACT participants and Board.

There are currently three lawsuits pending that involve PACT. (1) Green v. the PACT Board, Montgomery County Circuit Court Case No. CV-2010-900013, involves class action allegations pertaining to the rights and obligations under PACT contracts. A settlement was reached to specify the amount of future benefits to be paid under PACT contracts. The settlement was approved by the trial court and is pending on appeal before the Alabama Supreme Court. (2) Perdue v. Callan Associates, Inc. and the PACT Board, Montgomery County Circuit Court Case No. 03-CV-900556, involves allegations concerning alleged mismanagement of the PACT Program's investment portfolio. The case has been settled as to the PACT Board but remains ongoing as to Callan Associates, Inc. (PACT's former investment consultant). (3) McVeigh, et al, v. Callan Associates and various investment managers, United States District Court for the North District of Alabama, Case No. CV-09-0685-S, involves allegations concerning investment advice related to the PACT Program's investment portfolio. The case has been stayed pending resolution of the appeal in the similar Montgomery County lawsuit.

PACT will furnish the successful respondent with the data or statistical information necessary for performing the services required in this RFP.

3. Minimum Qualifications and Requirements

In order to be considered for selection, Exhibit C should be included in the proposal as documented proof that the following minimum qualifications listed below are met. The Proposer has a continuing obligation to disclose information throughout the RFP process should any qualifications or situations change that might render the vendor as an unqualified candidate.

1. The Proposer will comply with all state regulations to conduct business in the State of Alabama, and will register with the Secretary of State if applicable.
2. The Proposer and its personnel have all authorizations, permits, licenses, and certifications as may be required under federal, state or local law to perform the services specified in this RFP at the time it submits a response to the RFP.
3. The supervising actuary has at least five years experience as a supervising actuary in analysis and valuation assignments for prepaid tuition plans or similar systems with clients that have a minimum asset base of \$100 million.
4. The Proposer carries a fidelity bond or errors and omissions insurance in an amount satisfactory to the Treasurer to cover negligent acts or omissions.
5. The Proposer maintains sufficient procedures and capabilities to ensure the timely and accurate backup and full recovery for all computers and other data storage systems related to the PACT account.
6. The Proposer has a company policy and practice of equal employment opportunity and non-discrimination based on race, creed or gender.
7. The Proposer attests that all workers providing the services described in this RFP are either citizens of the United States or are in proper and legal immigration status that authorizes them to be employed for pay within the United States.

4. Submission of Proposals

Issuing Office:

Office of State Treasurer Young Boozer
Alabama State Capitol
600 Dexter Avenue, Suite S106
Montgomery, AL 36104

Submission Deadline. It is the responsibility of the Proposer to ensure that its proposal is timely delivered and received in the Treasurer's Office on or before 5:00 p.m. on December 27, 2011. The Proposer will provide an original response, three copies and an electronic version of the response. The Treasurer will not consider proposals received after the date and time specified herein. The Treasurer assumes no responsibility for late delivery by the U.S. Mail, the State's Central Mail Facility, a commercial courier service, or any other method of delivery selected by

the Proposer. The response may be emailed to alatreas@treasury.alabama.gov by the submission deadline with the paper documents delivered within two business days.

Questions and Inquiries. The sole point of contact for purposes of this RFP is Brenda Emfinger. Any questions or inquiries should be emailed to brenda.emfinger@treasury.alabama.gov. All written questions should be submitted by December 19, 2011. Any oral communications are considered unofficial and nonbinding on Treasury.

Rejection of all Proposals. The Board and Treasurer reserves the right to reject any or all proposals and/or to solicit additional proposals, if that is determined to be fiscally advantageous to PACT or otherwise in its best interests.

5. Proposal Required Information

Proposals should be as thorough and detailed as possible so that capabilities to provide the required services can be properly evaluated.

To be considered, responses to this RFP must include:

1. Transmittal Letter providing contact information
2. Exhibit A, Proposal Response
3. Exhibit B, Statement of Fees
4. Exhibit C, Minimum Qualifications
5. Exhibit D, Disclosure Statement. All proposals submitted in response to this RFP must include one original completed Disclosure Statement as required by Section 41-16-80, et seq., Code of Alabama (1975). Copies of the Disclosure Statement, and information, may be downloaded from the Alabama Attorney General's web site at www.ago.state.al.

6. Evaluation and Selection

The responses will be reviewed by a committee of the Board. The Board reserves the right to request a best and final offer for fees from finalists.

The Board will select the Proposer the Board determines, in its sole discretion, to be fully qualified and best suited among those submitting proposals that best meet the needs of PACT. *All proposals received in response to this RFP may be rejected and the Board may solicit additional proposals.*

7. Contract

All duties of the actuary shall be set forth in a contract between the Proposer and the Board. The contract will incorporate reference to the requirements of the RFP, the response to the RFP, and any subsequent revisions to, or modifications of, the proposal as negotiated by the Board or its designee.

The expected term of the contract will be a five year period. State law prohibits the Board from agreeing to (1) indemnify of the Proposer; (2) waive the right for jury trial; (3) granting a security interest; or (4) binding arbitration. Additionally, it is mandatory that Alabama laws

apply to the performance of the contract and that jurisdiction and venue be in Montgomery, Alabama for state and federal courts.

8. Efforts to Influence Selection Process Prohibited

The integrity of the RFP process is of primary importance and will not be compromised. Any written or oral communications beyond the RFP response made by Proposers, or others on their behalf, whether paid or unpaid, to influence the selection process, from the time the RFP is issued through its conclusion, made directly or indirectly to the Treasurer, Board members, Treasury staff or independent advisors to the Board will be grounds for immediate elimination from the selection process. The sole point of contact is Brenda Emfinger, brenda.emfinger@treasury.alabama.gov, 334-242-7515.

9. Public Information

All responses received will be subject to the Alabama Open Records Act, §36-12-40, Code of Alabama and may be subject to public disclosure upon request. The Open Records Act is remedial and should therefore be liberally construed in favor of the public. The Alabama Trade Secrets Act is §8-27-1 through §8-27-6, Code of Alabama. Proposers are cautioned to be familiar with these statutes. The burden is on the one asserting the trade secret to show that the information sought to be protected meets the definition of a Trade Secret as defined in the Act.

Any RFP response submitted that contains confidential, trade secrets or proprietary commercial information must be conspicuously marked on the outside as containing confidential information, and each page upon which confidential information appears must be conspicuously marked as such. Identification of the entire proposal as confidential is not acceptable unless the Proposer enumerates the specific grounds or applicable laws which support treatment of the entire material as protected from disclosure according to the foregoing statutes or other applicable Alabama law.

The owner of the confidential information shall indemnify and hold the State of Alabama, the Board, the State Treasurer, and Treasury staff harmless from all costs or expenses, including but not limited to attorney fees and expenses related to litigation concerning disclosure of said information and documents.

EXHIBIT A PROPOSAL RESPONSE

1. Corporate or Individual's Information

A. Corporate Overview-Provide an overview of the firm, including the following:

1. Corporate profile, including the financial condition of the firm, overall business objectives, firm experience, quality control procedures and ownership;
2. Any restrictions, consent orders, or litigation involving the firm, principals, or key personnel within the past five years;
3. Detailed information on any vendors or subcontractors the firm will partner with to provide services to PACT;
4. Details of any claims, disputes, litigation or other legal proceedings where your firm is involved with the State of Alabama or any of its agencies, or has been involved, in the three preceding years.

B. Personnel

Provide summaries of the professional and experience qualifications of all persons who will perform work under the contract.

C. Client Information

Identify three references from clients for whom you are currently or have recently provided actuarial services to prepaid tuition or similar programs. Include name, title, address, email address, phone number, type of services provided, and length of time serviced.

2. Scope of Services

A. General

1. Provide expert advice and guidance regarding any actuarial and policy issues which may affect the actuarial soundness of PACT. Provide expert testimony to various authorities, including the State legislature and Court, if the need arises.
2. Interact with the Treasurer, PACT's legal counsel, staff, and Board to determine if pending legal issues may affect the actuarial soundness of the program.
3. Be readily accessible to the Board, State Treasurer and staff by telephone within one working day. Be available to make Court or Legislative Committee appearances as needed.

4. Evaluate, if requested, the effect of any proposed legislative or court issued changes regarding the program's actuarial soundness. Provide actuarial review of any program amendments to PACT's enabling legislation or Court Orders.
5. Provide guidance and advice regarding any new actuarial issues that may affect PACT and which arise during the term of the contract. Inform the Board, Treasurer and staff on developments in federal legislation and/or regulations regarding college financing, tuition rates, etc.
6. Attend a minimum of two board meetings annually, and be available to attend other board or legislative meetings.

Please respond to the following:

1. Describe previous experience with providing actuarial testimony before boards, court, and legislative committees.
2. Describe your commitment in fulfilling the general requirements noted above. Detail any items that you are not able to complete.

B. Actuarial Analyses

1. Perform quarterly actuarial valuation and analysis, or more often if requested by the Board. Actuarial analyses shall contain sufficient explanatory text to permit a reasonable understanding of the actuarial assumptions and conclusions. This shall include, but not be limited to, an executive summary, charts, and description of actuarial assumptions.
2. Periodically review the form and content of data files maintained by PACT and make recommendations for modifications, additions or deletions.
3. Maintain a database in order to individually reconcile and sort data such as college enrollment, tuition, contract and investment data from year to year and to test the accuracy of the submitted data to be used to perform the cumulative analyses. PACT will provide copies of data files to the approved Proposer, however, the Proposer must keep this information confidential unless otherwise approved by PACT
4. Provide recommendations and guidance regarding actuarial assumptions (including non economic), and document changes in assumptions with applicable written analysis. Assumptions include, but are not limited to, college enrollment, tuition increases, PACT contract cancellations, potential bias for attendance at certain colleges, death and disability, and usage of benefits.
5. Quarterly, develop a thorough cash flow analysis of the program's assets and liabilities, which includes a forecast of future financial obligations of PACT based on, but not limited to, the age or grade of the beneficiary, tuition rates, years remaining before benefit payment is due, investment returns, pricing strategy, etc.
6. Assess and recommend strategies for maintaining a fully funded status.

7. Analyze tuition and fee data for state public universities, college, and community/two-year colleges, and provide a determination of the Weighted Average Tuition rates, and Current Tuition Value, based on data provided by PACT.
8. By request, develop special analyses and provide various tables, scenarios, matrices, supporting documentation and other materials for reports, legislative testimony or other purposes. This can include multiple runs of data with varying assumptions.
9. Provide the calculation of contract cancellation refunds for contracts purchased prior to 1996, based on death/disability (calculation formula provided).

Please respond to the following:

1. Describe your experience in providing valuations of prepaid or similar type plans.
2. Describe your method for determining assumption recommendations.
3. Describe your method for performing an actuarial analysis.
4. Describe the capability of the database system, the ownership control of this system and the facilities to be utilized in the performance of this contract.
5. Describe your ability and willingness to provide special reports and similar requested items.
6. Detail any items listed above that you are not able to provide.
7. Provide a sample actuarial report.

EXHIBIT B
STATEMENT OF FEES

Any charge for services not addressed in the Statement of Fees in your proposal will not be allowed during the course of the contract. All fees charged must be listed in this schedule.

Provide annual compensation per year for five years for all services included in this RFP. Compensation for requested extraordinary services that are beyond the scope of work specified in the Contract should be specified in charges per hour.

SCHEDULE C
MINIMUM QUALIFICATIONS

1. The Proposer will comply with all state regulations to conduct business in the State of Alabama, and will register with the Secretary of State if applicable.

_____ Yes _____ No

2. The Proposer and its personnel have all authorizations, permits, licenses, and certifications as may be required under federal, state or local law to perform the services specified in this RFP at the time it submits a response to the RFP.

_____ Yes _____ No

3. The supervising actuary has at least five years experience as a supervising Actuary on consulting services in analysis and valuation assignments for prepaid tuition plans or similar systems with clients that have a minimum asset base of \$100 million.

_____ Yes _____ No

4. The Proposer carries a fidelity bond or errors and omissions insurance in an amount satisfactory to the Treasurer to cover negligent acts or omissions.

_____ Yes _____ No

5. The Proposer maintains sufficient procedures and capabilities to ensure the timely and accurate backup and full recovery for all computers and other data storage systems related to the PACT account.

_____ Yes _____ No

6. The Proposer has a company policy and practice of equal employment opportunity and non-discrimination based on race, creed or gender.

_____ Yes _____ No

7. The Proposer attests that all workers providing the services described in this RFP are either citizens of the United States or are in proper and legal immigration status that authorizes them to be employed for pay within the United States.

_____ Yes _____ No